

**R.07-05-025**

**Rulemaking Regarding Whether, or Subject to What Conditions, the  
Suspension of Direct Access May Be Lifted Consistent with Assembly Bill 1X  
and Decision 01-09-060**

**Workshop**

**To initiate discussion regarding the merits and manner by which DWR could  
pursue novation or assignment of its contracts through renegotiation**

June 2, 2008, 9:30 a.m. – 5:00 p.m.  
California Public Utilities Commission, Hearing Room A

The Purpose of this Workshop is to:

- (1) Allow parties to exchange information, clarify differences in positions, and narrow potential issues which might otherwise require hearings; and
- (2) Form the basis for parties to file comments and proposals.

**Scope of Workshop**

The April 18 ACR summarized the issues to be addressed in Phase II (a)(1) as follows:

- Identifying contracts subject to novation or renegotiation;
- The feasibility of renegotiating or effecting novation of contracts, as necessary to remove DWR from its role as supplier of power under AB1X.
  - Three contracts that were not renegotiated lack novation provisions. Therefore, Phase II (a)(1) should address what measures could be employed to facilitate renegotiation of these three contracts under just and reasonable terms. Feasibility of implementation will also require that the IOUs or other credit worthy entities are able and willing to take over the contracts, as necessary. Potential impacts to the other IOUs must also be considered as a result of taking over the contracts could include debt equivalence, credit ratings, and cost of capital.
- Potential effects on retail customers resulting from removal of DWR from its role as power supplier.
  - Phase II (a)(1) will consider measures to protect customers against any inequitable increases in direct costs of power under replacement contracts or indirect effects, such as reduced service reliability, associated with changes to the contracts. Phase II (a)(1) will consider how any such impacts should be treated in terms of allocations among IOUs and their customers. (April 18 ACR, pp. 5-7)

DWR has also agreed to assist the Commission and parties in identifying projected benefits and/or costs that may result from novation and/or assignment of DWR contracts. (April 18 ACR, p.3)

Agenda	
9:30 to 9:45	<p>Introductions, Review Purpose of Workshop, and Agenda</p> <p><b>ALJ Pulsifer</b></p> <p><b>April Mulqueen, CPUC Policy and Planning Division</b></p>
9:45 to 10:30	<p><b>Parties'</b> Opening Comments (voluntary; 2-3 minutes per party), followed by brief break</p>
10:30 to Noon	<p><b>DWR</b> Presentation of Overview of Its Contracts, with particular emphasis on contract provisions that specify how novation may be implemented, and the role of the IOUs and potentially other power producers in taking over the contracts. For contracts without novation clauses, DWR should explain contract provisions applicable for renegotiating such contracts. DWR should present its views as to the appropriate advisory role of CPUC, the IOUs and third parties (e.g., consumer advocates, power marketers, etc.) before, during, and after the conclusion of negotiations to implement novation or assignment through renegotiation of DWR contracts. DWR will conclude with Q and A discussion</p>
Noon to 1:00	LUNCH BREAK
	<p><b>Afternoon Discussion</b></p> <p>"Relevant impacts of any process that may be implemented to expedite the ending of DWR's role as supplier of power, including potential effects on the IOUs, retail customers, and DWR Bondholders: The nature, magnitude, and likelihood of each relevant effect will be considered." (March 28 ACR, p. 6)</p>
1:00 to 2:30	<p><b><u>IOU Discussion</u></b>: The IOUs will present their views concerning the appropriate advisory role of the CPUC, the IOUs, and other third parties (e.g. consumer advocates, power marketers, etc.) before, during, and after the DWR contract novation and/or renegotiation process. If the IOUs were to be assigned the DWR contracts, the effects will be addressed regarding IOU power cost allocations, debt equivalence, cost of capital, and other aspects of IOU financial and/or resource planning. (March 28 ACR, p. 6) Although specific financial and resource cost impacts may not be known until contract novation or renegotiation is implemented, this discussion is intended to identify general concerns and conditions relevant to subsequent negotiations.</p>
2:30 to 2:45	Break
2:45 to 4:00	<p><b><u>All Other Parties Discussion</u></b>: Other parties will be permitted to present their views on the appropriate advisory role of the CPUC and other parties before, during, and after DWR contract novation or renegotiation. If DWR contract terms were novated or renegotiated as a condition of assignment, the potential effects regarding the level of power costs charged to retail customers, and the allocation of such costs among IOUs will be considered. (March 28 ACR, p. 6)</p>
4:00 to 5:00	<p>Related questions concern how contract assignment to the IOUs would affect electric resource planning and forecasting, and how such impacts relate to the overall counterbalance of advantages and disadvantages of lifting the DA suspension. (March 28 ACR, p. 6) Parties may present their views as to what conditions or limitations may be warranted in the DWR contract novation/renegotiation process in terms of changes in retail power costs, costs of capital, or other IOU-related impacts that may be subject to allocation among various categories of retail customers.</p>
End of Day	Wrap-up and Next Steps

Questions regarding the workshop should be directed to April Mulqueen of the Policy and Planning Division (415-703-2329), ([am4@cpuc.ca.gov](mailto:am4@cpuc.ca.gov))